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**OFFICE OF CURRENT INTELLIGENCE
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State Dept. review completed

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**1. EGYPT REJECTS OPPORTUNITY TO BARGAIN OVER
WESTERN SUEZ PROPOSALS**

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Egyptian official statements since Eden's announcement of the formation of a Suez Canal "users' association" indicate that the Cairo regime intends to stand pat on its earlier refusal to bargain with the West over the question of control of the operations of the canal. The statement handed out by the Egyptian embassy in Washington on 13 September, that implementation of the Western "scheme" means war, would appear to bar any possibility of an Egyptian retreat on this issue.

Cairo is probably counting on action by other parties, such as India or the Soviet Union, to put a brake on forceful Western action. However, all reports from Egypt agree that the Nasr regime is prepared in the end to go down fighting rather than suffer a serious diplomatic defeat over Suez.

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**2. NEHRU OPPOSES PLAN FOR SUEZ CANAL
"USERS' ASSOCIATION"**

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[Redacted]

Nehru opposes formation of a Suez Canal "users' association" and withdrawal of non-Egyptian pilots as an attempt to impose a solution on Egypt. Speaking to

the Indian parliament on 13 September, Nehru stated that the "surprising" actions apparently contemplated by the Western nations carried with them the "grave risk of conflict." Nehru said that Nasr's proposal for a new negotiating body "opened the way to settlement," and he appealed to Britain and the United States to permit the development of further negotiations.

Despite his personal opposition to proposed Western moves, Nehru will almost certainly step up his attempts at mediation rather than take sides with Egypt.

[Redacted]

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3. EGYPTIAN CANAL AUTHORITY CONSIDERING REDUCTION IN CONVOY SYSTEM

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[Redacted]

The Egyptian canal authority is considering reducing the traffic on the Suez Canal to a single convoy per day, one day northbound, the next southbound, following the expected departure of practically all the non-Egyptian em-
ployees of the Suez Canal Company between 14 and 16 September, according to the American consulate in Port Said. While such a system would delay vessels an abnormally long time, it would permit maximum utilization of the approximately 33 experienced canal pilots who are expected to stay on. Only two of these pilots, however, are experienced in handling supertankers.

Comment

The normal complement of canal pilots was over 200 before nationalization.

In addition to the 33 experienced pilots, some 20 more with less experience are believed available. While Cairo has received numerous offers, official and private, of the services of pilots, there have been as yet no firm reports that any significant number of new pilots have arrived in Egypt.

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6. HUNGARIAN WRITER CALLS FOR COMPLETE FREEDOM OF EXPRESSION

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The recently published article of Gyula Hay, spokesman for liberally inclined Hungarian intellectuals, constitutes in effect an open call for a

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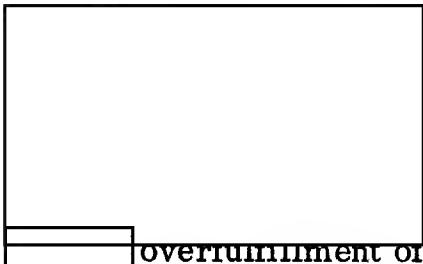
[REDACTED] writers' revolt during a meeting of the Hungarian Writers Federation scheduled to convene on 17 September. The article, appearing on 8 September in a Hungarian literary journal noted for its frank opposition to the former Rakosi regime, called for absolute freedom of expression for both Marxists and non-Marxists, the right to believe in God or deny God, the right to criticize anybody or anything, and the right to like or not to like any of Hungary's leaders.

Hay further demanded that the system of censorship of books, radio talks, theaters and films be halted. He called on the writers to continue their political activities even in the face of threats and urged that 17 September mark the beginning of a "new literary epoch in Hungary."

A sizable group of party moderates, who have supported Imre Nagy in the past, including activists as well as intellectuals, would be in favor of such intellectual freedom. However, some "moderate" elements in the party who are basically sympathetic to many of the aims of the literary group may be expected to oppose at least some of Hay's demands. Although resisting a call for full freedom of expression, moderates such as politburo member Kadar may advocate additional concessions to the writers.

7. INDONESIAN PRESIDENT CONCLUDES SOVIET TOUR

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The public statements of Indonesia's President Sukarno during his two-week tour of the Soviet Union, concluded on 12 September, amounted to a generous

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overruling of normal Asian forms of courtesy, the American embassy in Moscow reports. In his series of speeches, Sukarno emphasized the identity of Soviet and Indonesian peoples in their love of freedom, peace and social justice. In one instance, he commented that the Soviet people, like the people of other countries he had visited recently, did not want war; nevertheless, leaders of "capitalism, fascism and supporters of feudalism" were working toward war. The joint statement signed prior to his departure anticipated increased cultural and economic relations.

Sukarno's constant protestations of friendship for the Soviet people and his praise of the Soviet Union for its support of Indonesia's anticolonialist struggle probably will have the effect in Indonesia of decreasing suspicion of Soviet motives. The Indonesian press to date, however, has given less publicity to Sukarno's current trip than to his recent tour of the United States.

Sukarno was undoubtedly impressed by what he saw of Soviet economic accomplishments, particularly since he was already highly sympathetic to a socialized economy. He indicated before he left on his Orbit trip that in developing a political philosophy, Indonesia could borrow profitably from the socio-political freedoms of the West and the government-controlled economy of the Orbit.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 13 September)

Two Israeli watchmen were reported killed by infiltrators from Jordan in a new incident about 20 miles south of the Dead Sea. A third watchman was reported missing. An extraordinary session of the Israeli-Jordan Mixed Armistice Commission was scheduled to meet on 13 September to consider the outbreak of new incidents, and UN truce chief General Burns appealed to both sides to end the 25X1A series of clashes which have occurred in the past four days.

In connection with the 11 September Israeli attack on the Jordanian police post, resulting in 23 Jordanian dead, the American embassy in Tel Aviv notes that this is the first clearly identifiable retaliation against Jordan since Hammarskjold's visit last spring, with the possible exception of the Israeli mortar attack on three Jordanian villages in July. The embassy said the Israeli attack conformed to the pattern of two against the Egyptians on 16 and 30 August, the salient features being immediacy of reprisal, selection of military targets, and 25X1A Israeli government disclaimers of any knowledge.

King Hussain of Jordan called in the British, French, and American ambassadors in Amman and asked that strong representations be made to Israel. He said Israel appeared to be deliberately trying to provoke a Jordanian attack. He suggested that "certain Western powers" were encouraging Israel.

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